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BUDGETARY AND FINANCE COMMITTEE  
Twenty-ninth session  
June 1982

DRAFT REPORT OF THE BUDGETARY AND FINANCE COMMITTEE

Rapporteur: Mr. Finn Norman Christensen (Denmark)

Chapter I

MATTERS REFERRED TO THE COMMITTEE BY THE PLENARY

4. Policy review (agenda item 3)

1. For its consideration of the financial implications of this agenda item, the Committee had before it the report of the Administrator on additional and alternative ways of financing and providing development assistance through UNDP and the funds administered by UNDP (DP/1982/35).
2. In introducing the item, the Deputy Administrator stressed that the proposals in the document did not point to new directions for UNDP but rather extended at the edges some of the Programme's operations. Since the needs identified in the country programming process far exceeded the resources of UNDP, it was envisaged to make available the unique capacity of UNDP field offices so that projects not financed by UNDP could be integrated in the country programming process. UNDP Resident Representatives would also help ensure that counterpart funds provided by donor and recipient Governments alike were properly integrated into a country's internal budget. In this context, the Deputy Administrator emphasized that the combination of other UNDP resources with global funds such as the United Nations Capital Development Fund (UNCDF), the United Nations Revolving Fund for Natural Resources Exploration and Energy Account, which were under the executive and administrative authority of the Administrator, permitted UNDP to achieve greater impact.

3. The Deputy Administrator then made specific reference to the various proposals made in document DP/1982/35. With regard to contributions in kind, he noted these constituted an integral part of UNDP-supported projects and should therefore be welcomed. He emphasized that UNDP was in a good position to ensure that contributions in kind from third-party donors were suitable to the purpose of a project and that they met the normal criteria applied to UNDP projects.
4. Regarding cost-sharing contributions, the Deputy Administrator summarized the proposals of the Administrator as they related to the three kinds of cost sharing. He stated that limits on programme cost sharing should be removed since whether provided by the recipient Government or a third-party donor, such contributions enlarged the scope of the Programme. Similarly, limits on project cost sharing by recipient Governments should be removed, since they were the highest tribute to UNDP as a valued administering agency. However, he agreed that project specific third-party cost sharing should continue to be subject to the existing limitations.
5. The Deputy Administrator clarified that the proposal in paragraph 14 of document DP/1982/35 relating to interest-free loans did not at all mean that UNDP was initiating a banking operation. He stated that reimbursement of loans by developing countries with a higher GNP would feed the funds back into programming and would be similar to existing operations such as those of the United Nations Revolving Fund. He also clarified, with regard to reimbursable procurement arrangements mentioned in paragraph 15, that no funds would pass through UNDP to buy goods or services. UNDP would merely act as a procuring agent and in this capacity could safeguard countries against inappropriate gifts of equipment.
6. Regarding the proposals on trust funds, the Deputy Administrator pointed out that UNDP, which now had the authority to accept contributions to a trust fund, had the advantage of being able to co-ordinate and integrate the use of these funds. He stated that reservations of the agencies on this subject were groundless, since neither UNDP nor the Governing Council was competent to prevent the agencies from making their own trust fund arrangements. With regard to proposals in paragraph 18, the Deputy Administrator pointed out that, in accordance with current regulations, procurement had to be conducted on an international competitive bidding basis only. However, some Governments and agencies had agreed to restrict the acquisition of goods or services to the donor country. The Deputy Administrator said that

agencies were not always restricted to international competitive bidding on trust fund expenditures and asked why UNDP should be treated differently. He further stated in any case there would be national tendering under the proposed arrangements and that contract awards would not be made solely on the basis of a donor's or the Administrator's choice. The Deputy Administrator also pointed out that the majority of donors to United Nations Sudano-Sahelian Office and United Nations Capital Development Fund had insisted on restricting the manner in which contributed funds were used in procurement and that, since these funds were also subject to the financial regulations and rules of UNDP, the Council must decide on their applicability during the present session.

7. The Deputy Administrator, in commenting on how an enhancement of trust funds might affect the central funding role of UNDP, referred to the proposal made in paragraph 19 of the report that a ceiling be set on trust funds expenditures at 50 per cent of a donor's voluntary contribution. He also referred to the practice of some agencies and Governments of agreeing to a support cost rate different from the 13 per cent one. He recommended that UNDP should also be authorized to offer a differential rate to agencies when trust funds were channelled from the same donor through UNDP.

8. Finally, on the issue of management and support services, the Deputy Administrator emphasized that UNDP would not be accepting funds from third-party donors. Rather, it would be providing services, especially in cases where a donor might not have a field establishment. The donor would be charged a fee by UNDP for these services.

Summary of the discussions of the CommitteeGeneral observations

9. Most members commended the Administrator for his proposals, which they considered imaginative and thought-provoking. Many members emphasized that the multilateral character of UNDP should be preserved and its central funding role be maintained. The proposals, they stated, should therefore be examined in terms of these important principles. Some members expressed reservations on the proposals taken in their totality, as according to them, they would change the character and direction of UNDP. One member, supported by others, stated that the proposals were aimed at preserving the apparatus of UNDP as opposed to maintaining the purity of purpose of UNDP. Another member stated that the main claim of UNDP to a central funding role, which he said stemmed from its established country programming process and extensive field network, might be compromised by some of these proposals. Many members considered the proposals far-reaching and therefore in need of considerable detailed discussion before decisions were taken. They suggested that these proposals be considered at an intersessional working group and then discussed at the thirtieth session of the Council.

(a) Contributions in cash and in kind

10. Most members welcomed the increasing recipient country contributions in kind. Some members stated that third party contributions in kind should be approached with caution as unsuitable or inappropriate equipment might be provided to projects in this manner.

(b) Cost sharing

11. Most members agreed that the ceiling on project cost sharing by recipient Governments should be removed. However, reservations were expressed by several members, about removing the ceilings on programme cost sharing contributions by third party donors in the belief that the programmes might be distorted as a result. Most members agreed with the proposal of the Administrator to maintain the ceiling on project specific third party cost sharing. One member stated that it might be premature to remove any of the present ceilings on cost sharing, since no problem with these ceilings seemed as yet to have been encountered.

12. With regard to the proposal on interest-free loans in paragraph 14 of the report, some members expressed reservations lest this proposal take UNDP into banking operations. Other members thought that the benefits from this arrangement would be minimal and slow and that problems in implementation might be encountered. One member stated that this arrangement would turn UNDP into a commercial organization and that he was opposed to asking any country to give back assistance.

(c) Reimbursable procurement arrangements

13. Some members expressed support for this proposal in paragraph 15 of DP/1982/35 on the condition that normal UNDP procurement procedures were used. One member stated that she supported the offering of these services to the recipient Governments but not to the donors. Some members asked for further clarifications on the proposal.

(d) Trust funds

14. Many members supported the concept of channelling trust fund monies through UNDP but stated that no additionality of funds would be provided in this manner. Two members stated, however, that new funds might be available in as much as trust funds are usually provided from a different part of the national budget. Many members supported the proposal of the Administrator in paragraph 19 of DP/1982/35 to place a ceiling on trust fund contributions to central resources. One member stated that his government might review its practice of contributing to multiple agency trust funds.

15. Several members expressed serious reservations on the waiver of competitive bidding for trust funds. They stated that "tied aid" was contrary to the spirit of multilateral organizations such as UNDP. While they recognized that the practices of some agencies and donors might differ in this respect from that of UNDP, they considered UNDP to be a unique organization which should not engage in this practice. Many members suggested further study of this issue.

16. With regard to the applicability of the financial regulation dealing with international competitive bidding to UNSO, UNCDF and the Financing System for Science and Technology for Development, many members stated that they were reluctant to compromise a basic principle of UNDP. However, recognizing that the operations of these funds would be unfavourably affected if the regulations were not specifically waived, most members supported waiver. Two members who had joined the consensus in a spirit of compromise nevertheless stated that the requirement of international competitive bidding constituted one of the fundamental principles of UNDP, and that UNDP could not make an exception to this principle without running the risk of moving even further away from its real nature as a multilateral organization. Its strength and appeal lay in its multilateral nature. These members remained opposed in principle to the adoption of the proposed exception to international competitive bidding. They joined the consensus exclusively because they felt UNDP was here responding to a special situation, which must be considered an emergency one. Another member supported the statement of these two members as reflecting his own basic attitude and understanding of how UNDP should operate.

17. Many members supported the proposal of the Administrator in paragraph 22 of DP/1982/35 to lower support costs relating to projects financed by trust funds when it was determined that the agency concerned had indicated its willingness to accept a lower rate for the same project.

(e) Management and other support services

18. Some members supported the proposal of the Administrator in paragraphs 28 and 30 but stated that it should be studied further. Some members thought providing management services to bilateral donors would interfere with the central co-ordinating role of the UNDP Resident Representatives. One member, while basically supportive, required confirmation that UNDP would not expand activities in project execution. Another member thought the arrangements might become financially too rewarding and that the regular work of UNDP might be compromised. One member stated the role envisaged for UNDP in the proposals as a "middleman" or intermediary between third party donors and recipient Governments was entirely inappropriate and that the independence of UNDP programmes would be lost. Several members concluded that the proposals should be examined further.

Response of the Administrator

19. In his response to the questions, the Deputy Administrator pointed out that, because UNDP was an ongoing operation, it was possible to provide additional services with only marginal increments in work force. This might not be the case for other donors and funding organizations which might need to build up a field office from scratch. He added that the proposals were not aimed at providing employment to UNDP staff members and were not necessarily related to the anticipated reduction in programme delivery. In his view, the proposals would make sense at any level of resources. He reiterated that the proposals would only extend UNDP operations at the edges and that the Administrator was making every effort to ensure that the central funding role of UNDP and the country programming process were carried out.

20. With reference to the concerns expressed relating to inappropriate equipment being provided to Governments as in-kind contributions by third party donors, the Deputy Administrator stated that the best safeguard against such a practice was to have UNDP scrutinize and advise on such contributions. In further clarifying reimbursable procurement arrangements, he stated that this was merely a service intended to facilitate transfer of aid from a donor who might not have the requisite facilities to recipients who might not have the needed capacity. The proposal had been submitted to the United Nations Office of Legal Affairs, which had confirmed that the provisions of United Nations Financial Rule 114.2 would permit these arrangements.

21. In further explaining the proposal relating to management and other services to bilateral donors, the Deputy Administrator stated that this was an attempt to facilitate the transfer of resources, since, in the absence of such services, the aid might not even be forthcoming. He emphasized that both donors and recipients alike would be the beneficiaries of these services. He further pointed out that although practices differ, the administrative costs of many bilateral donors come out of their aid budgets. He also clarified that the proposal was to charge donors for these services and not the recipients.

22. In elaborating further on the proposals, the Deputy Administrator stated that the role of a "middleman" or "packager" envisaged for UNDP was an essential service, the lack of which has hampered many other traditional aid arrangements. He illustrated this by citing the example of UNSO which, he said, performed an outstanding service by bringing many donors and recipients together. He stated that the expertise and experience available in UNDP should be made more generally available.

23. The Assistant Administrator Bureau for Finance and Administration, responding to questions as to whether the regulations relating to international competitive bidding applied to UNSO, confirmed that this was so and that without a specific waiver by the Council, they would continue to be applied.

24. In conclusion, the Deputy Administrator emphasized that the Administrator did not intend to induce any donor to divert resources from existing multilateral/bilateral programmes to UNDP. The proposals were in the nature of requests for enabling legislation which would permit UNDP to try these approaches in the future.

Recommendation of the Committee

25. The Committee recommends that:

The Governing Council,

Having noted and considered the proposals made by the Administrator relating to additional and alternative means of financing and providing technical co-operation activities using the UNDP system (DP/1982/35),

Taking note of and reaffirming present arrangements and procedures,

Having taken note that the current policies and procedures of UNDP for the selection of executing agencies will be continued,

Recognizing the role of UNDP as the central funding and co-ordinating instrument in the field of technical co-operation within the United Nations system,

(a) Decide that the ceilings on cost-sharing activities imposed by decision 81/16 shall:

(i) Be removed in the case of all cost-sharing activities financed by recipient countries;

(ii) Be maintained in the case of third party cost sharing at 150 per cent of the indicative planning figure or \$15 million, whichever is larger

(b) Reaffirm decision 80/44, operative paragraph 4, which urges governments and governing bodies of agencies to apply the support cost reimbursement arrangements described in operative paragraph 2 of the same decision also to technical co-operating activities financed from all other extrabudgetary resources, including trust funds or similar funds;

(c) Authorize the Administrator, for those agencies which did not respond to decision 80/44, operative paragraph 4, to lower the support cost reimbursement rate relating to a project financed by trust funds when it is determined by the Administrator that the agency concerned had indicated its willingness to accept a lower rate for the same project, and request the Administrator to report in his annual review of the financial situation on the authority given in paragraph 2 above.

(d) Authorize the Administrator to accept trust funds that are conditioned on procurement from a donor country or countries in respect of the operations of the United Nations Sudano-Sahelian Office and the United Nations Capital Development Fund and the United Nations Financing System for Science and Technology for Development; and decides, pursuant to Financial Regulation 1.2, that Financial Regulation 14.5 may be waived in respect of these Funds only to the extent necessary



for the purposes stated in the first part of this paragraph and that the authorization given in this paragraph shall be automatically terminated at the expiration of one year unless the Governing Council expressly authorizes its continuation.

(e) Request the Administrator to submit a report on the use of the authority in paragraph 21 above to the Governing Council at its thirtieth session;

(f) Decide that the other matters raised in the document DP/1982/35 shall be further studied in consultation with the Administrator with a view to being discussed at the thirtieth session of the Governing Council.

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Circumstance	Justified (%)	Not justified (%)
If someone is attacking you	85	15
If someone is threatening you	75	25
If someone is harassing you	65	35
If someone is insulting you	45	55
If someone is annoying you	15	85

Figure 1 illustrates the experimental setup. A subject is seated at a table, looking at a video screen. A camera is positioned above the screen, and a light source is positioned to the left. A scale bar is shown below the screen. The diagram is labeled with 'Subject', 'Video Screen', 'Camera', 'Light Source', and 'Scale Bar'.